Abstract

A major characteristic of the economic development in European and North America during the past 10-15 years is a fast expansion of the producer-service sector. This paper considers the location dynamics of two categories of firms: contact-intensive producer-service suppliers and other firms, where the latter form the rest of the economy. Urban regions are decomposed into urban areas, and the latter into zones. In the theoretical framework firms have random-choice preferences and respond in a non-linear way to time distances in their contact efforts. They make their location decisions in response to local, intra-regional and extra-regional access to market demand. This leads to a non-linear system that over time generates cumulative change processes of growth and decline. The econometric analysis makes use of information about time distances between zones in urban areas as well as between urban areas in the same agglomeration and between urban areas in different agglomerations. This information is employed in an econometric model that depicts for each urban area how the number of jobs in different sectors change in response to the access to customers’ purchasing power in the entire set of urban areas. The estimation results show that the cumulative change processes feature non-linear behaviour.

Keyword: Agglomeration, business services, accessibility, non-linear